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Case No. 7-256

MEMORANDUM FOR: Chief, Procurement Division/OL

SUBJECT: Report on Overrun, Contract [REDACTED] Task Order No. 2,
[REDACTED]25X1
25X1

REFERENCE: Your memorandum dated 2 February 1967

1. In compliance with the referenced memorandum we have made an analysis of the costs incurred under the subject task order. The results are shown on the attached Schedules Nos. 1 and 2.

With regard to paragraph No. 2 of your memorandum, we are unable to ascertain if the [REDACTED] agreed to be absorbed by the contractor is included in the status of funds expenditure of [REDACTED] for November 1965. However, our computation of the contractor's incurred expenses, in the amount of [REDACTED] through 30 November 1965, presumably includes all expenses incurred. In regard to the status of overrun on Schedule 2, we have therefore reduced the costs incurred through 30 November 1965 by [REDACTED]. Inasmuch as supplemental agreement was entered into to cover the Government's portion of the overrun at that time, the task order had funds available of [REDACTED] as at 30 November 1965. Adjustments as at 30 November 1965 totaled [REDACTED] resulting in available [REDACTED].

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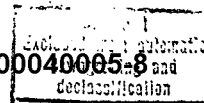
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Schedule No. 1 shows the costs incurred by period and by cost element. From records available in this office we were unable to analyze by individual months the costs incurred during the period from 1 February 1966 through 30 April 1966. We have included them in total on Schedule No. 1. If a detail of the costs by months is required, please advise us and we shall schedule a visit to the contractor's plant for this purpose. Schedule No. 2 shows further details of the cost incurred, audit adjustments, approved costs, and the overrun status at 31 December 1965, 31 January 1966 and 30 April 1966. It also includes the costs incurred during subsequent periods which have not been verified to the contractor's project ledger.

4. The status of the overrun, after audit adjustments and the absorption by the contractor of [REDACTED] agreed to, is as follows:

Declass Review by NGA

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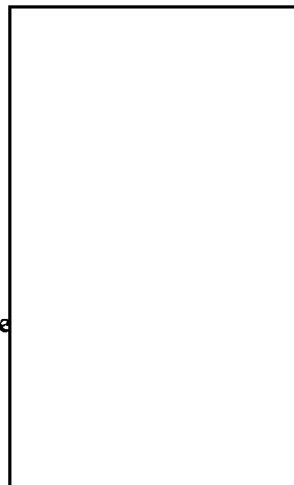


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SUBJECT : Report on Overrun, Contract [redacted] Task Order No. 2,

25X1
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Costs billed to-date
Plus: Costs incurred but not billed
Total costs (a)
Less: Audit adjustments (b)
Allowable costs
Less: Contract maximum limitation
Total overrun
Less: Absorption agreed to by contractor
Maximum allowable overrun
Less: Cost claimed by contractor as having been
incurred, but which did not appear on
project ledger as at 8/31/66
Allowable overrun if the above costs are not
substantiated



25X1

(a) Costs incurred after our adjustment for application of 1965 negotiated indirect expense allocation rates.

(b) Overtime premium and applicable applied research and development and general and administrative expenses.

5. Final overhead allocation rates have been negotiated for calendar year 1965 with the Department of the Navy. We have applied these rates to the costs incurred in 1966, because the rates for 1966 have as yet not been negotiated. We estimate that it may be another year before final rates are negotiated for 1966. We shall submit our final audit report at that time.

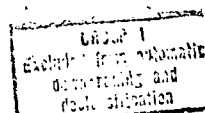


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Acting Chief
Industrial Contract Audit Division

Attachments:
Schedules Nos. 1 and 2

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